

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 1143 - HB 894

March 3, 2013

SUMMARY OF BILL: Exempts motorcycle drivers and passengers who are 21 years of age or older from the requirement to wear a helmet. Increases, from \$17.50 to \$19.50, the fee for a Class M (motorcycle) driver license. Requires \$2.00 of the fee to be earmarked and transferred to the Bureau of TennCare.

ESTIMATED FISCAL IMPACT:

On February 27, 2013, a fiscal note was issued estimating a fiscal impact as follows:

*Increase State Revenue – \$134,200/Earmarked for the Bureau of TennCare
Exceeds \$179,200/General Fund*

*Increase State Expenditures – \$8,600/One-time/General Fund
Exceeds \$379,000 /General Fund*

Increase Federal Expenditures – Exceeds \$719,600

Increase Local Revenue – Exceeds \$32,400

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to changes in tourism or as a result of other behavioral changes prompted by passage of this proposed legislation. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Due to a miscalculation within the assumptions, this impact was in error. The estimated fiscal impact is:

(CORECTED)

**Increase State Revenue – \$134,200/Earmarked for the Bureau of TennCare
Exceeds \$174,200/General Fund**

**Increase State Expenditures – \$8,600/One-time/General Fund
Exceeds \$379,000 /General Fund**

Increase Federal Expenditures – Exceeds \$719,600

Increase Local Revenue – Exceeds \$32,400

SB 1143 - HB 894 (CORRECTED)

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to changes in tourism or as a result of other behavioral changes prompted by passage of this proposed legislation. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Corrected Assumptions:


- According to the Department of Safety (DOS), there are 67,100 Class M licenses issued each year.
- A recurring increase in state revenue of \$134,200 earmarked for the Bureau of TennCare (67,100 x \$2.00 fee increase).
- One-time computer programming cost of \$8,600 would be required for DOS to change the fee structure for Class M licenses.
- According to the Department of Revenue, there were 170,172 motorcycles registered in Tennessee as of January 2013. In January of 2012, there were 171,762 motorcycles registered in the state.
- The National Highway Traffic Safety Administration's sponsored study *Evaluation of the Repeal of the All-Rider Motorcycle Helmet Law in Florida* showed motorcycle registrations increasing 33.7 percent in the years following repeal of the helmet law; nationally the trend was approximately 29 percent. Data from Kentucky shows that registrations did not increase by a statistically-significant amount in the years following repeal of the helmet law compared to states without changes to the law.
- The Legislative Budget and Finance Committee of the Pennsylvania General Assembly completed a study in 2008 titled, *Motorcyclist Injuries and Fatalities Since the 2003 Repeal of the Mandatory Helmet Law*. The study included data showing that the number of motorcycle registrations increased over the seven-year period between 2000 and 2007. In the four-year period (2003 to 2007) following the repeal of the helmet law, the annualized rate of growth for motorcycle registrations was 0.25 percent greater than the previous four years.
- Exempting riders over 21 years of age from the helmet requirement will result in approximately 0.25 percent more registrations in Tennessee compared to registrations in the absence of the bill.
- Based on current registrations of 170,172, an additional 425 registrations are expected each year. A state title and registration fee of \$28.50.
- An increase in recurring state revenue of \$12,112 ($\28.50×425).
- An increase in recurring local revenue exceeding \$10,000 for local registration fees and taxes.
- An average motorcycle sales price of at least \$5,000 each.
- The current state sales tax rate is seven percent (7.0%); the average local option sales tax rate is estimated to be 2.5 percent (for the first \$1,600 of the sales price); the state single article sales tax is 2.75 percent (for the portion of the sales price above \$1,600 up to \$3,200).
- The recurring increase in state sales tax revenue is estimated to be \$167,450 [$(425 \times \$5,000 \times 7.0\%) + (425 \times \$1,600 \times 2.75\%)$].

- The recurring increase in local option sales tax revenue for local governments is estimated to be \$17,000 ($425 \times \$1,600 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(q), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617% [$(5.5\%/7.0\%) \times 4.603\%$].
- The recurring increase in local government revenue from the state-shared allocation is estimated to be \$5,380 ($425 \times \$5,000 \times 7.0\% \times 3.617\%$).
- The total recurring increase in local revenue is reasonably estimated to exceed \$32,380 ($\$10,000 + \$17,000 + \$5,380$).
- The net recurring increase in state revenue for the General Fund is reasonably estimated to exceed \$174,182 [$\$12,112 + (\$167,450 - \$5,380)$].
- According to the Pennsylvania study from 2008, the number of motorcycle crashes increased after the repeal of the helmet law in 2003. From 2000 (3,235) to 2003 (3,553), the number of motorcyclists involved in crashes increased by a three-year annualized growth rate of three and two-tenths percent (3.2%). From 2003 (3,553) to 2007 (4,716), the annualized growth rate for motorcyclists involved in crashes was seven and three-tenths percent (7.3%). That is an increase in the annualized growth rate of approximately four and one-tenths percent (4.1%).
- The study also found that the number of non-helmeted riders involved in crashes increased from 15 percent to 36.8 percent.
- The number of individuals involved in a crash and hospitalized with a traumatic brain injury increased significantly the two years following the helmet repeal law as compared with the two years prior to the law. The first two years after the repeal, there were 542 head injuries per 10,000 registrants, which is approximately a 101.5 percent increase in the number of traumatic brain injuries over the two years prior [$(542-269)/269$].
- According to the Bureau of TennCare, on average, 137 motorcycle accident victims with traumatic brain injuries are provided services each year. TennCare estimates at least 58 additional traumatic brain injuries will be provided services each year as a result of this bill.
- According to the Bureau of TennCare, and a 2008 *American Journal of Public Health* article Changes in Motorcycle-Related Head Injury Deaths, Hospitalizations, and Hospital Charges Following Repeal of Pennsylvania's Mandatory Motorcycle Helmet Law, hospitalization costs for head injury cases increased by 63 percent more than non-head injury cases.
- According to the Bureau of TennCare, the current average cost to treat a traumatic brain injury is \$8,940. The cost per injury is expected to increase by \$5,632 ($\$8,940 \times 63\%$). A total cost of \$14,572 per injury ($\$5,632 + \$8,940$).
- An increase in expenditures of \$845,176 ($58 \times \$14,572$) from additional injuries.
- Approximately one-third of the current number of annual injuries or 45 ($137 \times 33\%$) will be more severe and result in the additional cost. An increase in expenditures exceeding \$253,440 ($45 \times \$5,632$).

- A total increase in medical expenditures for TennCare exceeding \$1,098,616 (\$253,440 + \$845,176).
- The federal participation rate is 65.5 percent; the state share is 34.5 percent.
- An increase in recurring state expenditures exceeding \$379,023 (\$1,098,616 x 34.5%).
- An increase in recurring federal expenditures exceeding \$719,593 (\$1,098,616 - \$379,023).
- There could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by passage of this bill. Increases in revenue may occur if the state's tourism increases as a result of changes to helmet usage. Increases in expenditures may occur due to changes in law enforcement demands and health expenditures. Due to multiple unknown factors such as the extent and timing of tourism changes, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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